
AGENDA ITEM: Compliance Matters – Annual Financial Statement and Compliance Audits**Issue**

On November 16, 2016, the Board meeting agenda will be updated to identify the charter holders that failed to submit their fiscal year 2016 annual financial statement and compliance audits (“audit”) by the November 15, 2016 deadline. A revised staff report will also be posted on November 16, 2016.

General Background – Audits

[A.R.S. §15-183\(E\)\(6\)](#) and [A.R.S. §15-914](#) require charter schools to annually submit a financial audit and compliance questionnaire. For many of the Board’s charters, the audit is due 4-1/2 months after the end of the fiscal year – November 15th. In accordance with Arizona Administrative Code R7-5-503(F), a charter holder that fails to submit a complete audit reporting package by the audit deadline shall appear before the Board for possible disciplinary action.

Charters that expend over \$750,000 in federal funds are required to submit a single audit. The single audit and questionnaire for fiscal year ending June 30, 2016 are due March 31, 2017. Charters that fail to timely submit their single audits and questionnaires will be brought before the Board in April.

Board Options

Option 1: The Board may approve withholding 10% of the charter holder’s monthly state aid apportionment. Staff recommends the following language for consideration: I move to find *{INSERT CHARTER HOLDER NAMES}* are in noncompliance with state law and their charter contract for their failure to submit the annual financial statement and compliance audits and approve withholding 10% of each charter holder’s monthly State aid apportionment until a complete fiscal year 2016 annual financial statement and compliance audit is submitted.

Option 2: The Board may decide to take no action at this time.